

A black rectangular logo with the text "BLUEGRASS GAS SALES" in white, slanted upwards from left to right. The logo is partially obscured by a vertical line and some speckling.

RECEIVED

AUG 29 2008

PUBLIC SERVICE
COMMISSION

August 29, 2008

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602-0615

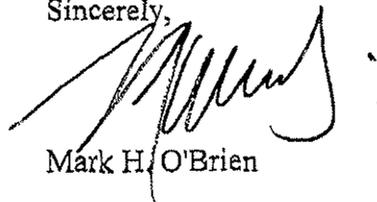
2008-00359

Dear Ms. Stumbo:

Enclosed is the Quarterly Report of Gas Cost Recovery Rate Calculation for the quarter ended June 30, 2008 for Bluegrass Gas Sales, Inc.

Please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark H. O'Brien".

Mark H. O'Brien

Enclosure

P. O. Box 23539
Anchorage, Kentucky 40223

Phone: 502-228-9698
Fax: 502-228-7016

2008-00359

BLUEGRASS GAS SALES, INC.

Case Number

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATIONDATE FILED: August 29, 2008DATE RATES TO BE EFFECTIVE: October 1, 2008REPORTING PERIOD IS CALENDAR QUARTER ENDED: June 30, 2008

Submitted By:

Mark H. O'Brien, President
BlueGrass Gas Sales, Inc.
P.O. Box 23539
Anchorage, KY 40223
(502)228-9698
(502)228-7016 fax

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$11.1759
+ Refund Adjustment (RA)	\$/Mcf	\$0.0000
+ Actual Adjustment (AA)	\$/Mcf	\$0.7355
+ Balance Adjustment (BA)	\$/Mcf	\$0.3113
= Gas Cost Recovery Rate (GCR)	\$/Mcf	<u>\$12.2227</u>

GCR to be effective for service rendered from October 1, 2008 to December 31, 2008

A. Expected Gas Cost Calculation

Total Expected Gas Cost (from Schedule II)	\$	\$547,465
/ Sales for 12 months ended June 30, 2009	Mcf	<u>48,986</u>
= Expected Gas Cost (EGC)	\$/Mcf	<u>\$11.1759</u>

B. Refund Adjustment Calculation

Supplier Refund Adjustment for reporting period (from Schedule III)	\$/Mcf	\$0.0000
+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
= Refund Adjustment (RA)	\$/Mcf	<u>\$0.0000</u>

C. Actual Adjustment Calculation

Actual Adjustment for reporting period (from Schedule IV)	\$/Mcf	\$ 0.2055
+ Previous Quarter Actual Adjustment	\$/Mcf	0.5864
+ Second Previous Quarter Actual Adjustment	\$/Mcf	0.0619
+ Third Previous Quarter Actual Adjustment	\$/Mcf	(0.1183)
= Actual Adjustment (AA)	\$/Mcf	<u>\$0.7355</u>

D. Balance Adjustment Calculation

Balance Adjustment for the Reporting Period (from Schedule V)	\$/Mcf	\$ 0.0518
+ Previous Quarter Reported Balance Adjustment	\$/Mcf	0.2176
+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	0.018
+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	0.0239
= Balance Adjustment (BA)	\$/Mcf	<u>\$0.3113</u>

SCHEDULE II

EXPECTED GAS COST

Projected Purchases for 12 months ended June 30, 2009

<u>Supplier</u>	<u>Dth</u>	<u>Btu Factor</u>	<u>Mcf</u>	<u>Rate</u>	<u>Cost</u>
Home Office, Inc.	51,649	1.028	50,242	\$10.8965	\$547,465
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
	0		0		\$0
Totals	<u>51,649</u>		<u>50,242</u>		<u>\$547,465</u>

	<u>Unit</u>	<u>Amount</u>
<u>Projected purchases for 12 months ended June 30, 2009</u>	Mcf	50,242
- <u>Projected sales for 12 months ended June 30, 2009</u>	Mcf	<u>48,986</u>
= <u>Projected line loss for 12 months ended June 30, 2009</u>		<u>1,256</u>
 Total expected cost of purchases	\$	\$547,465
 / Mcf purchases	Mcf	<u>50,242</u>
= Average expected cost per Mcf	\$/Mcf	\$10.8965
 x Allowable Mcf purchases (not to exceed 95% of Mcf sales)	Mcf	<u>50,242</u>
= Total Expected Gas Cost (to Schedule I, part A)	\$	<u>\$547,465</u>

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

For the 3 month period ended June 30, 2008

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	\$0
+ Interest		<u>\$0</u>
= Refund Adjustment including interest		\$0
/ Sales for 12 months ended June 30, 2008	Mcf	<u>48,086</u>
Supplier Refund Adjustment for the reporting period (to Schedule I, part B)	\$/Mcf	<u>\$0.0000</u>

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 3 month period ended: June 30, 2008

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u> (Apr)	<u>Month 2</u> (May)	<u>Month 3</u> (June)
Total supply volume purchased	Mcf	7,255	898	591
Total cost of volumes purchased	\$	\$84,764	\$12,070	\$7,593
/ Total sales (may not be less than 95% of supply volumes)	Mcf	7,074	876	576
= Unit cost of gas	\$/Mcf	11.9820	13.7793	13.1809
- EGC in effect for month	\$/Mcf	\$11.0670	\$11.0670	\$11.0670
= Difference [(over)/under-recovery]	\$/Mcf	\$0.9150	\$2.7123	\$2.1139
x Actual sales during month	Mcf	7,074	876	576
= Monthly cost difference	\$	\$6,473	\$2,376	\$1,218
Total cost difference (Month 1+2+3)	\$	\$10,067		
/ Sales for 12 months ended June 30, 2008	Mcf	48,986		
Actual Adjustment for the reporting period (to Schedule I, part C)	\$/Mcf	\$0.2055		

SCHEDULE V

BALANCE ADJUSTMENT

For the 3 month period ended June 30, 2008

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
(1) Total cost difference used to compute AA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	(\$9,010)
Less: Dollar amount resulting from the AA of (0.2567) \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 48,986 Mcf during the 12 month period the AA was in effect	\$	<u>(\$12,575)</u>
Equals: Balance Adjustment of the AA	\$	<u>\$3,565</u>
(2) Total supplier refund adjustment including interest used to compute RA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$0
Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12 month period the RA was in effect	\$	<u>\$0</u>
Equals: Balance Adjustment of the RA	\$	<u>\$0</u>
(3) Total balance adjustment used to compute BA of the GCR effective 4 quarters prior to the effective date of the currently effective GCR	\$	\$2,599
Less: Dollar amount resulting from the BA of 0.0740 \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of 48,986 Mcf during the 12 month period the BA was in effect	\$	<u>\$3,625</u>
Equals: Balance Adjustment of the BA	\$	<u>(\$1,026)</u>
Total Balance Adjustment Amount (1) + (2) + (3)	\$	\$2,539
Divide: Sales for 12 months ended June 30, 2009	Mcf	<u>48,986</u>
Equals: Balance Adjustment for the reporting period (to Schedule I, part D)	\$/Mcf	<u>\$0.0518</u>

PO BOX 23539
11405 PARK RD STE 180
ANCHORAGE, KY 40223
PH: 502-228-9698 FAX: 502-228-7016

**BLUEGRASS GAS
SALES, INC.**

Fax

RECEIVED

AUG 29 2008

PUBLIC SERVICE
COMMISSION

To: RENEE SMITH	From: Mark O'Brien
Fax: 502-564-3460	Pages: 8
Phone:	Date: 8/29/2008
Re: Quarterly GCR	CC:

Urgent For Review Please Comment Please Reply Please Recycle

• **Comments:**

Please accept this fax copy of our Quarterly Report of Gas Cost Recovery Rate Calculation for the quarter ended June 30, 2008.

The original is being overnighted today for your receipt on Tuesday.

